GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:445
ANSWERED ON:22.04.2003
PRICES OF MEDICINES
YEMPARALA VENKATESWARA RAO

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government are aware of the apprehension that the prices of medicines are likely to go up after the introduction of VAT;

(b) if so, the facts thereof;

(c) whether the Government are also aware that any increase in the prices of medicines would result in the medicines going out of the reach of the poor people;

(d) if so, the steps proposed to be taken in this regard;

(e) whether there is a wide gap between the wholesale prices and retail prices of certain common medicines; and

(f) if so, the reasons therefor and the steps taken in this regard?

Answer

THE MINISTER OF CHEMICALS & FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a) to (f): A Statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO PARTS (A) TO (F) OF THE LOK SABHA STARRED QUESTION NO.445 FOR ANSWE ON 22.4.2003 REGARDING PRICES OF MEDICINES.

(a) to (f) : Value Added Tax (VAT) eliminates cascading (tax on tax) as it provides credit for tax paid on inputs. The prices could, therefore even remain stable or stand reduced. The extent of the impact of VAT on prices of medicines will however depend on the relevant rate of tax. This is to be determined by the Empowered Committee of State Finance Ministers and not the Government of India. As per Entry 54, List II of the Seventh Schedule to the Constitution, tax on sale or purchase of goods is a State subject

For a Scheduled formulation, a manufacturer is required to follow the price fixed by the Government in accordance with the provisions of the Drugs (Prices Control) Order,1995. Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing / selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc,. The Government takes corrective measures where the public interest is found to be adversely affected.